MONTANA SENATE
2007 LEGISLATURE

ROLL CALL

TAXATION

DATE 2-8-07

NAMES	PRESENT	ABSENT	EXCUSED
SEN. JERRY BLACK (R)	✓		
SEN. JEFF ESSMANN (R)	✓		
SEN. KELLY GEBHARDT(R)	✓		
SEN. KIM GILLAN (D)			
SEN. DAN HARRINGTON (D)	✓		
SEN. CHRISTINE KAUFMANN (D)	✓		
SEN. SAM KITZENBERG (D)	✓		
SEN. JIM PETERSON (R)	✓		
SEN. TRUDI SCHMIDT (D)			✓
SEN. ROBERT STORY (R)	✓		
SEN. JIM ELLIOTT (D) CHAIRMAN	✓		
LEE HEIMAN, LSD	✓		
LOIS O'CONNOR, COMMITTEE SECRETARY	✓		

SENATE STANDING COMMITTEE REPORT

Mr. President:

We, your committee on **Taxation** recommend that **Senate Bill 231** (first reading copy -- white) **do pass as amended.**

Signed: ________________
Senator Jim Elliott, Chair

And, that such amendments read:

1. Page 1, line 25.
Strike: "16"
Insert: "18"

2. Page 1, line 26.
Strike: "two"
Insert: "four"
Strike: "one"
Insert: "no more than two"

3. Page 1, line 28.
Strike: "two"
Insert: "four"
Strike: "one"
Insert: "no more than two"

4. Page 2, line 3.
Strike: "two representatives"
Insert: "one representative"
Strike: "one of whom"
Insert: "who"

5. Page 2, line 7.
Strike: "counties"
Insert: "local government"

6. Page 2, line 8.
Strike: "cities and towns"

Committee Vote:
Yes 11, No 0
Fiscal Note Required ___

Insert: "the tourism industry"

7. Page 2, line 10.
Strike: "two representatives"
Insert: "one representative"

8. Page 2.
Following: line 19
Insert: "(a) review previous reports of tax studies conducted in prior interims;"
Renumber: subsequent subsections

9. Page 2.
Following: line 25
Insert: "(i) the current Montana tax structure versus the Montana economic structure;"

10. Page 3, line 1.
Strike: "(6)(b)"
Insert: "(6)(c)"

11. Page 3, line 3 through line 4.
Strike: "that" on line 3 through "necessary," on line 4
Following: "and"
Insert: "prepare"
Strike: "any"

- END -

SENATE STANDING COMMITTEE REPORT

February 8, 2007

Mr. President:

We, your committee on **Taxation** recommend that **Senate Bill 332** (first reading copy -- white) **do pass as amended.**

Signed: ______________________
Senator Jim Elliott, Chair

And, that such amendments read:

1. Title, line 5.
Following: "BY A"
Insert: "STATE-RECOGNIZED OR"
Following: "STATE;"
Insert: "PROVIDING THAT THE EXEMPTION APPLIES ONLY TO PROPERTY WITHIN THE EXTERIOR BOUNDARIES OF A RESERVATION OR FOR A STATE-RECOGNIZED INDIAN TRIBE OF A COUNTY; PROVIDING THAT EXISTING TAX LIENS ARE NOT EXTINGUISHED;"
Strike: "AND"

2. Title, line 6.
Following: "MCA"
Insert: "; AND PROVIDING A DELAYED EFFECTIVE DATE"

3. Page 1, line 18.
Following: "state,"
Insert: "state-recognized and"

4. Page 3, line 12.
Following: "(2)"
Insert: "(a) For the purposes of subsection (1)(a)(ii), the property exemption applies only to property located within the exterior boundaries of the reservation in which a federally recognized Indian tribe is located and within the county in which a plurality of the tribal members of a tribe recognized by the state reside."
Renumber: subsequent subsections

Committee Vote:
Yes 7, No 4
Fiscal Note Required ___

281233SC.ssc

5. Page 5.
Following: line 3
Insert: "NEW SECTION. **Section 3. Existing tax liens not extinguished.** [This act] does not extinguish any tax liens on property that were in effect on December 31, 2007."
Insert: "NEW SECTION. **Section 4. Effective date.** [This act] is effective January 1, 2008."

- END -

MONTANA STATE SENATE
2007 LEGISLATURE

TAXATION

ROLL CALL VOTE

DATE 2-8-07 BILL NO. SB-61 NUMBER 2

MOTION: Do Pass As Amended

Pass

NAME	AYE	NO
SEN. JERRY BLACK (R)	✓	
SEN. JEFF ESSMANN (R)	✓	
SEN. KELLY GEBHARDT(R)	✓	
SEN. KIM GILLAN (D)	✓	P
SEN. DAN HARRINGTON (D)	✓	
SEN. CHRISTINE KAUFMANN (D)	✓	
SEN. SAM KITZENBERG (D)	✓	
SEN. JIM PETERSON (R)	✓	
SEN. TRUDI SCHMIDT (D)	✓	P
SEN. ROBERT STORY (R)		✓
SEN. JIM ELLIOTT (D) CHAIRMAN		✓
	9	2

MONTANA STATE SENATE
2007 LEGISLATURE

TAXATION

ROLL CALL VOTE

DATE 2-8-07 BILL NO. SB 332 NUMBER

MOTION: Do Pass As Amended

Passed 7-4

NAME	AYE	NO
SEN. JERRY BLACK (R)	✓	
SEN. JEFF ESSMANN (R)		✓
SEN. KELLY GEBHARDT(R)		✓
SEN. KIM GILLAN (D)	✓	
SEN. DAN HARRINGTON (D)	✓	
SEN. CHRISTINE KAUFMANN (D)	✓	
SEN. SAM KITZENBERG (D)	✓	
SEN. JIM PETERSON (R)		✓
SEN. TRUDI SCHMIDT (D)	✓	
SEN. ROBERT STORY (R)		✓ P
SEN. JIM ELLIOTT (D) CHAIRMAN	✓	
	7	4

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Elliott

to vote my proxy on any issue before the Senate Taxation Committee

held on February 8, 2007, 2007.

yes - SB61

Trudi Schmidt
SENATOR
STATE OF MONTANA

SENATE PROXY FORM

According to Senate Rule 30-70 (13) (f) , a committee member may vote by proxy using a standard form.

PROXY VOTE

I, the undersigned, hereby authorize Senator Elliott

to vote my proxy on any issue before the Senate Taxation

Committee

held on February 8, 2007, 2007.

yes SB61

Kim Gillan

SENATOR
STATE OF MONTANA

MONTANA STATE SENATE
2007 LEGISLATURE

VISITOR REGISTER

TAXATION

DATE February 8, 2007

BILLS BEING HEARD TODAY Executive Action

PLEASE PRINT

NAME	PHONE	REPRESENTING	BILL #	SUPPORT	OPPOSE

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

Amendments to Senate Bill No. 231
1st Reading Copy

For the Senate Taxation Committee

Prepared by Lee Heiman
February 8, 2007 (12:02pm)

1. Page 1, line 25.
Strike: "16"
Insert: "18"

2. Page 1, line 26.
Strike: "two"
Insert: "four"
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Strike: "that" on line 3 through "necessary," on line 4
Following: "and"
Insert: "prepare"
Strike: "any"

- END -

Amendments to Senate Bill No. 332
1st Reading Copy

For the Senate Taxation Committee

Prepared by Lee Heiman
February 8, 2007 (12:13pm)

1. Title, line 5.
Following: "BY A"
Insert: "STATE-RECOGNIZED OR"
Following: "STATE;"
Insert: "PROVIDING THAT THE EXEMPTION APPLIES ONLY TO PROPERTY WITHIN THE EXTERIOR BOUNDARIES OF A RESERVATION OR FOR A STATE-RECOGNIZED INDIAN TRIBE OF A COUNTY; PROVIDING THAT EXISTING TAX LIENS ARE NOT EXTINGUISHED;"
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Renumber: subsequent subsections

5. Page 5.
Following: line 3
Insert: "NEW SECTION. **Section 3. Existing tax liens not extinguished.** [This act] does not extinguish any tax liens on property that were in effect on December 31, 2007."
Insert: "NEW SECTION. **Section 4. {standard} Effective date.** [This act] is effective January 1, 2008."

- END -

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0356	**Title:**	Tax credit for repayment of student college loans
Primary Sponsor:	Brueggeman, John	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$2,500	$0	$0
Revenue:				
General Fund	$0	($1,626,000)	($3,171,000)	($4,347,000)
Net Impact-General Fund Balance:	$0	($1,628,500)	($3,171,000)	($4,347,000)

Description of fiscal impact:
This bill would allow taxpayers who receive an associate or bachelor's degree from a Montana college or university to take a credit of up to $500 against their individual income tax liability for the amount of student loans they repay each year.

FISCAL ANALYSIS

Assumptions:

1. This bill would allow taxpayers who receive an associate or bachelor's degree from a Montana college or university after December 31, 2006 and who have student loans, to claim a credit against their individual income tax for the amount of student loans repaid in a year, up to $500. A taxpayer could claim credits in up to two years for repayments on loans to finance an associate degree and up to four years for repayments on loans to finance a bachelor's degree. A taxpayer may take the credit a total of four times. The first year when the credit could be claimed would be 2008.
2. In 2005, Montana colleges and universities awarded 1,782 associate degrees and 5,177 bachelor's degrees (National Center for Educational Statistics, US Department of Education). It is assumed that the same number of degrees will be awarded each year from 2007 through 2010.

3. Of resident students who graduated from units of the Montana University System in 2005, 72.5% who received an associate degree had student loans and 71.9% who received a bachelor's degree had student loans. The average debts were $13,906 for an associate degree and $20,590 for a bachelor's degree (Office of Commissioner of Higher Education). It is assumed that these percentages and amounts will be the same each year from 2007 through 2010 and apply to all Montana colleges and universities.
4. Graduates with the debts in assumption 3 will pay more than $500 per year on the principle of their loans. Therefore, all taxpayers who take the credit will claim the maximum amount of $500.
5. A survey of Montana University System graduates in 2002 and 2003 found that 70% remained in the state. It is assumed that this percentage will hold for all graduates of Montana colleges and universities in 2007 through 2010 and that 70% of bachelors degree graduates with student loans will begin paying on them the year after graduation. Some associate degree graduates will continue on to work toward a bachelor's degree and will defer their loan payments until they receive their bachelor's. It is assumed that 50% of associate degree graduates will begin paying on their loans the year after graduation.
6. It is assumed that 5% of taxpayers claiming the credit in any year move out of the state and do not claim the credit the next year.
7. For tax year 2008, 646 associate degree graduates (50% x 72.5% x 1,782) and 2,606 bachelor's degree graduates (70% x 71.9% x 5,177) who received degrees in 2007 will each claim a $500 credit on their returns filed in the spring of FY 2009. The total amount of credit and revenue reduction in FY 2009 will be $1,626,000 ($500 x (646 + 2,606)).
8. For tax year 2009, 646 new 2008 associate degree graduates and 2,606 new 2008 bachelor's degree graduates will claim credits of $1,626,000 and 95% of the 2007 graduates who claimed credits for tax year 2008 will claim credits of $1,545,000 ($500 x 95% x(646 + 2,606)). The total revenue reduction in FY 2010 will be $3,171,000 ($1,626,000 + $1,545,000).
9. For tax year 2010, 646 new 2009 associate degree graduates and 2,606 new 2009 bachelor's degree graduates will claim credits of $1,626,000, and 95% of the 2008 graduates who claimed credits for tax year 2009 will claim credits of $1,545,000. The 2007 associate degree graduates will no longer be able to claim the credit, but 2007 bachelor's degree graduates will claim $1,176,000 in credits ($500 x 95% x 95% x 2,606). The total revenue reduction in FY 2011 will be $4,347,000 ($1,626,000 + $1,545,000 + $1,176,000).
10. The Department of Revenue will need to develop a new form for taxpayers to claim this credit. Operating costs would be $2,500 in FY 2009.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
FTE	0.00	0.00	0.00	0.00
Expenditures:				
Personal Services	$0	$0	$0	$0
Operating Expenses	$0	$2,500	$0	$0
TOTAL Expenditures	$0	$2,500	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$2,500	$0	$0
TOTAL Funding of Exp.	$0	$2,500	$0	$0
Revenues:				
General Fund (01)	$0	($1,626,000)	($3,171,000)	($4,347,000)
TOTAL Revenues	$0	($1,626,000)	($3,171,000)	($4,347,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	($1,628,500)	($3,171,000)	($4,347,000)

Effect on County or Other Local Revenues or Expenditures:

1. None

Long-Range Impacts:

1. For tax year 2011, 646 new 2010 associate degree graduates and 2,606 new 2010 bachelor's degree graduates will claim credits of $1,626,000; 2009 graduates will claim credits of $1,545,000; 2008 bachelor's degree graduates will claim $1,176,000 in credits; and 2008 bachelor's degree graduates will claim $1,117,000 in credits ($500 x 95% x 95% x 95% x 2,606). The total revenue reduction in FY 2012 will be $5,464,000 ($1,626,000 + $1,545,000 + $1,176,000 + $1,117,000).
2. Revenue reductions in fiscal years after FY 2012 will be similar to the reduction for FY 2012, but may change over time depending on the number of new graduates and their debts.

Technical Notes:

1. Section 2 allows a credit "equal to the amount of the loan repaid" in a year. This fiscal note assumes that this phrase means repayment of loan principle, not total loan payments. However, this language would need to be clarified before this bill could be implemented. Many students take loans over the course of their studies and accumulate unpaid interest until they graduate and begin making payments. Lenders often show initial payments as all interest as borrowers pay down the unpaid interest balance. It is not clear whether these payments would be eligible for the credit.
2. Section 2(7) required the Department of Revenue, in consultation with the Montana guaranteed student loan program, to develop procedures to monitor student loan payments made by a taxpayer claiming a credit. The purpose of this monitoring is not clear. Is it to verify eligibility for the credit, to verify that taxpayers who have used the credit continue to make payments, or for some other purpose? For how long is the department to monitor payments?

DB 2/6/07 [signature] 2/5/07

Sponsor's Initials *Date* *Budget Director's Initials* *Date*

Fiscal Note 2009 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0332	**Title:**	Exempt tribally owned property from taxation
Primary Sponsor:	Juneau, Carol C	**Status:**	As Introduced

- ☑ Significant Local Gov Impact
- ☐ Included in the Executive Budget
- ☐ Needs to be included in HB 2
- ☑ Significant Long-Term Impacts
- ☐ Technical Concerns
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Revenue:				
General Fund	($49,411)	($51,462)	($53,597)	($55,822)
State Special Revenue	($3,121)	($3,250)	($3,385)	($3,525)
Net Impact-General Fund Balance	($49,411)	($51,462)	($53,597)	($55,822)

Description of fiscal impact:

The bill exempts property owned by federally recognized Indian tribes located within the state from taxation. The bill will reduce state revenue, local government revenue, and school revenue in at least thirteen counties.

FISCAL ANALYSIS

Assumptions:

1. Under current law, tribally owned business equipment property on the reservation is not taxed. In this fiscal note, tribally owned business equipment property off the reservation is assumed to be negligible. Only tribally owned real property on and off the reservation is considered.
2. General fund revenue includes 95 mills assessed on taxable property statewide and 1.5 mills assessed on taxable property in Missoula, Cascade, Lewis & Clark, Silver Bow, and Yellowstone counties (college of technology counties).
3. University system state special revenue includes 6 mills assessed on taxable property statewide.

4. The growth in taxable value of tribally owned real property is assumed to grow at the same rate as the taxable value of statewide class 4 property in calendar year 2008 through calendar year 2011. From HJR 2, this growth rate is 4.15%.
5. Calendar year 2006 total taxable value of tribally owned real property in non-college of technology counties is $498,386.
6. Calendar year 2006 total taxable value of tribally owned real property in college of technology counties is $991.
7. FY 2007 general fund revenue generated from tribally owned real property is $47,442 {($498,386 x 0.095) + ($991 x 0.0965)}. General fund revenue generated from tribally owned real property is forecast to be $49,411 ($47,422 x 1.0415) in FY 2008, $51,462 ($49,411 x 1.0415) in FY 2009, $53,597 ($51,462 x 1.0415) in FY 2010, and $55,822 ($53,597 x 1.0415) in FY 2011.
8. The total calendar year 2006 taxable value of tribally owned real property statewide is $499,377 ($498,386 + $991).
9. The FY 2007 university system revenue generated from tribally owned real property is $2,996 ($499,377 x 0.006). University system revenue generated from tribally owned real property is forecast to be $3,121 ($2,996 x 1.0415) in FY 2008, $3,250 ($3,121 x 1.0415) in FY 2009, $3,385 ($3,250 x 1.0415) in FY 2010, and $3,525 ($3,385 x 1.0415) in FY 2011.
10. The FY 2007 state share of revenue from taxes on tribally owned real property is $50,439 ($47,442 + $2,996). The state share of revenue from taxes on tribally owned real property is forecast to be $52,532 ($49,411 + $3,121) in FY 2008, $54,712 ($51,462 + $3,250) in FY 2009, $56,982 ($53,597 + $ 3,385) in FY 2010, and $59,347 ($55,822 + $3,525) in FY 2011.
11. Actual FY 2007 tax revenue from tribally owned real property is $256,625.
12. Actual FY 2007 local government revenue is $206,186 ($256,625 – $50,439).
13. The growth in local mills applied to the taxable value of property for FY 2008 through FY 2011 is provided in Table 1. This growth is based on the average mill levy growth from calendar year 2003 to calendar year 2006 in levy districts in which the majority of the tribal land exempt under this bill is located. Those levy districts are categorized and averaged by county location. The tribally owned real properties used in this analysis are located in thirteen counties. Using data for mills levied within these counties from calendar year 2002 through calendar year 2006, growth rates are forecast for mills levied in each of the thirteen counties. For eleven of thirteen counties, these growth rates are forecast using mills levied in the levy district with the largest measure of tribally owned real property in the county. For Lake and Sanders counties, the countywide averages of mills levied are used to determine the growth rates. This method is used for Lake and Sanders counties because tribally owned real property is distributed among many levy districts in each of these counties.
14. Revenue from all mills levied on tribally owned real property in the state is forecast for FY 2008 through FY 2011 by using estimated FY 2007 revenue from all mills levied on tribally owned real property in each county in calendar year 2006, and growing this revenue through FY 2011using HJR 2 growth in class four taxable value and the mill growth rates estimated for each county. As shown in table 1, the weights are the amounts of revenue collected in each county. The weighted average mill growth is 1.06% in FY 2008, 1.14% in FY 2009, 1.21% in FY 2010, and 1.28% in FY 2011.

Table 1
Projected Average Tribal Land Mill Levies by County

County	Average County Mill FY 2007	Mill Levy Growth Rate	******************Projected Mill Levies****************** FY 2008	FY 2009	FY 2010	FY 2011
Missoula	489	1.7%	498	506	515	524
Flathead	518	4.0%	538	560	582	605
Lake	502	3.5%	520	538	557	577
Sanders	510	4.3%	532	554	578	603
Phillips	470	4.6%	492	514	538	562
Blaine	444	-0.2%	443	442	441	440
Valley	501	5.1%	527	554	583	612
Big Horn	404	-3.6%	390	376	362	349
Yellowstone	511	0.5%	514	517	519	522
Rosebud	323	5.5%	341	360	379	400
Glacier	601	-0.1%	601	600	599	599
Pondera	556	2.9%	572	589	606	623
Hill	525	4.6%	549	574	600	628
Weighted Avg. Increase			1.06%	1.14%	1.21%	1.28%

15. Table 2 provides projected state and local government property tax reduction under this bill.
16. The loss of the total tribal land property tax revenue is determined by multiplying the calendar year 2006 taxable value times the class 4 property tax growth rate (4.15%) times the weighted average increase in the mill levies as shown below:
    - FY 2008: $270,112 ($256,625 x 1.0415 x 1.0106)
    - FY 2009: $284,519 ($270,112 x 1.0415 x 1.0114)
    - FY 2010: $299,915 ($284,519 x 1.0415 x 1.0121)
    - FY 2011: $316,374 ($299,915 x 1.0415 x 1.0128)

Table 2
Projected Property Tax Revenue Loss due to HB 285
FY 2008 through FY 2011

Mill Type	FY 2007 Revenue	FY 2008 Revenue	FY 2009 Revenue	FY 2010 Revenue	FY 2011 Revenue
Total Property Tax Loss	$256,625	$270,112	$284,519	$299,915	$316,374
Less State Property Tax Loss	($50,439)	($52,532)	($54,712)	($56,982)	($59,347)
Equals Local Governments Share	$206,186	$217,580	$229,807	$242,932	$257,026

17. This bill is effective for calendar year 2007, so the fiscal impact begins in FY 2008. Property tax for calendar year 2007 values on real property are paid in November of 2007 and May of 2008, or entirely within calendar year 2008.

18. As of July 1, 2005, by Department of Revenue records, the Blackfeet tribe was liable for $854,531 in delinquent taxes in Glacier County, and $19,832 in delinquent taxes in Pondera County. Estimated Blackfeet tribe delinquency on local taxes levied through FY 2007 is $887,733.

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Fiscal Impact:				
FTE	0.00	0.00	0.00	0.00
Revenues:				
General Fund (01)	($49,411)	($51,462)	($53,597)	($55,822)
State Special Revenue (02)	($3,121)	($3,250)	($3,385)	($3,525)
Federal Special Revenue (03)	$0	$0	$0	$0
Other	$0	$0	$0	$0
TOTAL Revenues	($52,532)	($54,712)	($56,982)	($59,347)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($49,411)	($51,462)	($53,597)	($55,822)
State Special Revenue (02)	($3,121)	($3,250)	($3,385)	($3,525)

Effect on County or Other Local Revenues or Expenditures:

1. The loss to local governments and schools is projected to be $217,580 in FY 2008, $229,807 in FY 2009, $242,932 in FY 2010, and $257,026 in FY 2011.

Long-Range Impacts:

1. Under proposed law, losses to the tax base will be ongoing.

Technical Notes:

1. The bill does not have an effective date and does not have an applicability date.
2. It is not clear whether property owned by a tribe and leased to a separate party for beneficial use, would be taxable under the privilege tax on beneficial use of tax-exempt property (15-24-1203, MCA).
3. The Blackfeet tribe owes an estimated $887,733 in delinquent property taxes to Glacier and Pondera counties. The Department of Revenue asserts that the proposed law may extinguish this tax liability.
4. The Department of Revenue suggests that the bill be amended as follows:
   a. provide that counties may foreclose on tax liens that have accrued prior to the effective date of the act;
   b. provide that the bill applies only to tribal properties within the boundaries of a reservation.
5. May need coordination with HB 285.
6. All tribally owned property may not be identified.

Sponsor's Initials   *Date*   [signature] *Budget Director's Initials*   1/31/07 *Date*